

15 July 2010

GRAPHITE ENTERPRISE TRUST PLC
UNAUDITED RESULTS FOR THE HALF YEAR
TO 30 JUNE 2010

CHAIRMAN'S STATEMENT

Change in year end

The Company announced in its Interim Management Statement on 19 May 2010 that it would be changing its accounting year end from December to January. The Company's next annual accounts will therefore cover the 13 month period to 31 January 2011 and these will be released in April 2011.

In 2008, the Listing Rules were changed to require interim results to be released within 60 days rather than 90 days of the period end. To meet the new deadline, the Company has had to release its interim results before most managers' valuation reports have been received. Changing the year end to 31 January has the effect of changing the half year end to 31 July and the half year reporting deadline to 30 September. By that time we will have received almost all the June valuation reports and we will therefore be able to produce more up to date results.

In the current financial year we are releasing two interim reports. Under the Listing Rules, we are required to release this report, covering the six months to 30 June 2010. A second interim report will be released covering the seven months to 31 July 2010 towards the end of September. The content of the second report will be consistent with interim reporting in previous years.

Unaudited net asset value

In the six months to 30 June 2010 the unaudited net asset value per share fell by 3.5% from 464.1p to 447.9p. This was primarily the result of the fall in the value of the euro against sterling during the period which reduced the value of euro denominated assets by 2.8% of net asset value. The net effect of all other items was to reduce the net asset value by a further 0.7%, of which 0.5% was attributable to the payment of the dividend.

Share price and discount

The share price fell by 7.7% from 305.0p to 281.5p in the period, which compares with a fall of 7.9% in the FTSE All-Share Index. The fall in the share price reflected a widening of the discount from 34.3% to 37.2% in the six month period, as the Company's discount moved closer to the sector average.

Investment portfolio valuation

The investment portfolio has been valued using the latest available managers' reports. As no June reports had been received prior to the preparation of these results, the majority of valuations are based on 31 March 2010 information, adjusted for currency and cash movements.

Overall, the portfolio fell in value by 4.1%. As a significant proportion of the portfolio is denominated in euros, exchange rate movements accounted for 3.9% of this fall, with the remaining 0.2% attributable to a fall in underlying valuations in local currency.

As the July Interim Report will be released in September, we should by then have received the majority of June reports from the managers of our fund portfolio.

Cash flows

In the six months to 30 June 2010, cash balances fell by £16.9 million from £114.0 million to £97.1 million. This fall was principally the result of increased investment activity. Net investment totalled £13.0 million during the period, with £19.2 million being invested and £6.2 million of proceeds being received. Income and expenses, the payment of the dividend and adverse currency movements accounted for the remaining cash outflow of £3.9 million.

Balance sheet and commitments

The investment portfolio rose from 69.5% to 70.7% of total assets in the period, primarily as a result of net investment of £13.0 million noted above. Cash and near cash accounted for the remaining 29.3% of total assets.

Outstanding commitments fell by a net £30.0 million to £213.2 million in the period, with total reductions of £36.8 million being partially offset by £6.8 million of additional commitments. The main elements of the reduction were drawdowns of £17.3 million, the release of a commitment of £9.1 million and currency movements of £10.4 million.

At the end of the period commitments exceeded cash and near cash by £115.9 million, equivalent to 34.9% of total assets. As commitments fell by £30.0 million and cash and near cash fell by £16.1 million in the period, this was £13.9 million lower than at December 2009.

Since the period end the Company has completed the secondary purchase of a fund interest. This interest was acquired for cash of £8.3 million and the Company assumed the remaining commitment of £1.6 million.

Principal risks and uncertainties

The Company's principal risks and uncertainties in the remaining seven months of the financial year are as follows:

- Market risk including currency, interest rate and price risk;
- Credit and investment risk; and
- Liquidity risk.

An analysis of each of these risks is set out in more detail in Note 19 of the Company's Report and Accounts for the year to 31 December 2009.

Publication of the July Interim Report

This is the final Interim Report the Company will produce with a 30 June period end. We will publish a more comprehensive Interim Report for the seven months to 31 July 2010 in September 2010.

Mark Fane
Chairman
July 2010

CONSOLIDATED INCOME STATEMENT

	Half year to 30 June 2010 (unaudited)			Half year to 30 June 2009 (unaudited)			Year to 31 December 2009		
	Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s	Revenue return £'000s	Capital return £'000s	Total £'000s
Investment Returns									
Gains and losses on investments held at fair value	816	(9,324)	(8,508)	144	(23,103)	(22,959)	892	28,166	29,058
Income from cash and cash equivalents	191	-	191	775	-	775	1,020	-	1,020
Other income	414	-	414	72	-	72	117	-	117
Foreign exchange (losses) and gains	-	(642)	(642)	-	(9,753)	(9,753)	-	(9,143)	(9,143)
	1,421	(9,966)	(8,545)	991	(32,856)	(31,865)	2,029	19,023	21,052
Expenses									
Investment management charges	(470)	(1,410)	(1,880)	(438)	(1,316)	(1,754)	(887)	(2,662)	(3,549)
VAT reclaim	211	203	414	5	16	21	-	-	-
Other expenses	(610)	-	(610)	(641)	(11)	(652)	(1,170)	(68)	(1,238)
	(869)	(1,207)	(2,076)	(1,074)	(1,311)	(2,385)	(2,057)	(2,730)	(4,787)
Profit/(loss) before tax	552	(11,173)	(10,621)	(83)	(34,167)	(34,250)	(28)	16,293	16,265
Taxation	(181)	181	-	(5)	5	-	(54)	-	(54)
Profit/(loss) for the period from continuing operations	371	(10,992)	(10,621)	(88)	(34,162)	(34,250)	(82)	16,293	16,211
Attributable to:									
Equity shareholders	371	(10,487)	(10,116)	(88)	(32,511)	(32,599)	(82)	14,382	14,300
Non-controlling interest	-	(505)	(505)	-	(1,651)	(1,651)	-	1,911	1,911
Basic and diluted earnings per share (note 5)			(13.88p)			(44.71p)			19.61p

The column headed 'Total' represents the income statement for the relevant period and the columns headed 'Revenue return' and 'Capital return' are supplementary information. There is no other comprehensive income.

CONSOLIDATED BALANCE SHEET

	As at 30 June		As at
	2010	2009	31 December
	(unaudited)	(unaudited)	2009
	£'000s	£'000s	£'000s
Non-current assets			
Investments held at fair value			
- Unquoted investments	232,423	175,776	228,464
- Quoted investments	<u>2,515</u>	<u>4,201</u>	<u>2,757</u>
	234,938	179,977	231,221
Current assets			
Trade and other receivables	1,231	1,632	690
Cash and cash equivalents	<u>97,068</u>	<u>114,050</u>	<u>113,970</u>
	98,299	115,682	114,660
Current liabilities			
Trade and other payables	<u>(976)</u>	<u>(1,451)</u>	<u>(1,284)</u>
Net current assets	<u>97,323</u>	<u>114,231</u>	<u>113,376</u>
Total assets less current liabilities	<u>332,261</u>	<u>294,208</u>	<u>344,597</u>
Capital and reserves			
Called up share capital (note 6)	7,292	7,292	7,292
Capital redemption reserve (note 6)	2,112	2,112	2,112
Share premium (note 6)	12,936	12,936	12,936
Capital reserve (note 6)	293,961	257,555	304,448
Revenue reserve (note 6)	<u>10,306</u>	<u>11,570</u>	<u>11,576</u>
Equity attributable to equity shareholders (note 6)	326,607	291,465	338,364
Non-controlling interest (note 6)	<u>5,654</u>	<u>2,743</u>	<u>6,233</u>
	<u>332,261</u>	<u>294,208</u>	<u>344,597</u>
Net asset value per share (basic and diluted)	447.9p	399.7p	464.1p

CONSOLIDATED CASH FLOW STATEMENT

	Half year to 30 June		Year to 31 December
	2010	2009	2009
	(unaudited)	(unaudited)	
	£'000s	£'000s	£'000s
Operating activities			
Sale of portfolio investments	6,248	520	13,074
Purchase of portfolio investments	(19,290)	(11,422)	(23,950)
Cash placed in escrow pending investment	-	(1,526)	-
Income received from investments	956	225	842
Other income received	605	1,066	1,137
Investment management charges paid	(2,048)	(1,889)	(4,398)
VAT reclaimed on investment management charges	-	2,352	2,271
Other expenses paid	(1,168)	(479)	(756)
Taxation paid	20	(726)	(789)
Net cash outflow from operating activities	<u>(14,677)</u>	<u>(11,879)</u>	<u>(12,569)</u>
Financing activities			
Investments by non-controlling interests	58	-	-
Equity dividends paid	(1,641)	(3,281)	(3,281)
Net cash outflow from financing activities	<u>(1,583)</u>	<u>(3,281)</u>	<u>(3,281)</u>
Net decrease in cash and cash equivalents	<u>(16,260)</u>	<u>(15,160)</u>	<u>(15,850)</u>
Cash and cash equivalents at beginning of period	113,970	138,963	138,963
Net decrease in cash and cash equivalents	(16,260)	(15,160)	(15,850)
Effect of changes in foreign exchange rates	(642)	(9,753)	(9,143)
Cash and cash equivalents at end of period	<u>97,068</u>	<u>114,050</u>	<u>113,970</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2010 (unaudited) £'000s	Half year to 30 June 2009 (unaudited) £'000s	Year to 31 December 2009 £'000s
Total equity at the beginning of the period	344,597	331,739	331,739
(Loss)/profit attributable to equity shareholders	(10,116)	(32,599)	14,300
(Loss)/profit attributable to non-controlling interests	<u>(505)</u>	<u>(1,651)</u>	<u>1,911</u>
Total (loss)/profit for the period and total recognised income and expense	(10,621)	(34,250)	16,211
Dividends paid to equity shareholders (note 4)	(1,641)	(3,281)	(3,281)
Net distribution to non-controlling interests*	<u>(74)</u>	<u>-</u>	<u>(72)</u>
Total equity at end the of period	<u>332,261</u>	<u>294,208</u>	<u>344,597</u>

* No cash was distributed to non-controlling interests during 2009 or 2010. However £74,000 (31 December 2009: £72,000) was reclassified as a creditor during the period.

Further analysis of the above movements is presented in note 6.

NOTES TO THE INTERIM REPORT

1 GENERAL INFORMATION

Graphite Enterprise Trust PLC (the "Company") and its subsidiaries (together "Graphite Enterprise" or the "Group") are registered in England and Wales and domiciled in England. The registered office is at Berkeley Square House, Berkeley Square, London W1J 6BQ. The Company's objective is to provide shareholders with long term capital growth through investment in unquoted companies, mostly through specialist funds but also directly. This half-yearly financial report was approved by the Board of directors on 15 July 2010.

2 UNAUDITED INTERIM REPORT

The half-yearly financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the Board of directors on 31 March 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and

did not contain any statements made under section 498 of the Companies Act 2006. This interim report has not been audited or reviewed by the Company's auditors.

3 BASIS OF PREPARATION

This half-yearly financial report for the six months ended 30 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union. The half-yearly financial report should be read in conjunction with the annual financial statements for the year ending 31 December 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Going concern basis

The Company has considerable financial resources and as a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half yearly-financial report.

4 DIVIDENDS

	Half year to 30 June		Year to 31 December
	2010 £'000s	2009 £'000s	2009 £'000s
Dividends paid or approved in the period			
Half year to 30 June 2010: 2.25p per share (half year to 30 June 2009 and year to 31 December 2009: 4.5p per share)	1,641	3,281	3,281

5 EARNINGS PER SHARE

	Half year to 30 June		Year to 31 December
	2010	2009	2009
Revenue return/(loss) per ordinary share	0.51p	(0.12p)	(0.11p)
Capital (loss)/return per ordinary share	(14.38p)	(44.59p)	19.72p
Earnings per ordinary share (basic and diluted)	(13.88p)	(44.71p)	19.61p
Weighted average number of shares	72,913,000	72,913,000	72,913,000

The earnings per share figures are based on the weighted average numbers of shares set out above.

6 CHANGES IN EQUITY

	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Six months ended 30 June 2010								
Opening balance at 1 January 2010	7,292	2,112	12,936	304,448	11,576	338,364	6,233	344,597
(Loss)/profit for the period attributable to recognised income and expense	-	-	-	(10,487)	371	(10,116)	(505)	(10,621)
Dividends paid or approved	-	-	-	-	(1,641)	(1,641)	-	(1,641)
Net distribution to non-controlling interests	-	-	-	-	-	-	(74)	(74)
Closing balance	7,292	2,112	12,936	293,961	10,306	326,607	5,654	332,261

	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Six months ended 30 June 2009								
Opening balance at 1 January 2009	7,292	2,112	12,936	290,066	14,939	327,345	4,394	331,739
(Loss) for the period attributable to recognised income and expense	-	-	-	(32,511)	(88)	(32,599)	(1,651)	(34,250)
Dividends paid or approved	-	-	-	-	(3,281)	(3,281)	-	(3,281)
Closing balance	7,292	2,112	12,936	257,555	11,570	291,465	2,743	294,208

	Share capital £'000s	Capital redemption reserve £'000s	Share premium £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total shareholders' equity £'000s	Non-controlling interest £'000s	Total equity £'000s
Year ended 31 December 2009								
Opening balance at 1 January 2009	7,292	2,112	12,936	290,066	14,939	327,345	4,394	331,739
Profit/(loss) for the period attributable to recognised income and expense	-	-	-	14,382	(82)	14,300	1,911	16,211
Dividends paid or approved	-	-	-	-	(3,281)	(3,281)	-	(3,281)
Net distribution to non-controlling interests	-	-	-	-	-	-	(72)	(72)
Closing balance	7,292	2,112	12,936	304,448	11,576	338,364	6,233	344,597

7 RELATED PARTY TRANSACTIONS

INVESTMENT MANAGEMENT CHARGES

The investment management charges set out in the table below were paid to Graphite Capital Management LLP (the "Manager"), in the period. The Manager is a related party.

	Half year to 30 June		Year to 31 December
	2010 £'000s	2009 £'000s	2009 £'000s
Investment management fee	1,880	1,754	3,489
Irrecoverable VAT	-	-	81
VAT reclaim accrued (see note 8)	(414)	(21)	(21)
	<u>1,466</u>	<u>1,733</u>	<u>3,549</u>

The allocation of the total investment management charges was unchanged in 2010 with 75% of the total allocated to capital and 25% allocated to income, except for the VAT reclaim which was allocated on the basis of the original split (see note 8).

The management fee charged by the Manager is 1.5% of the value of invested assets and 0.5% of outstanding commitments, in both cases excluding funds managed by Graphite Capital Management LLP. The amounts payable during the year are set out above. There were no unpaid invoices as at 30 June 2010.

The Company has borne management charges in respect of funds managed by Graphite Capital Management LLP as set out in the table below:

	Half year to 30 June		Year to 31 December
	2010 £'000s	2009 £'000s	2009 £'000s
Graphite Capital Partners V	-	43	-
	244		
Graphite Capital Partners VI		222	438
	407		
Graphite Capital Partners VII		394	795
	<u>651</u>	<u>659</u>	<u>1,233</u>

8 VAT ON MANAGEMENT FEES

Graphite Enterprise Trust PLC may be entitled to repayments of VAT previously paid to Graphite Capital Management LLP (the "Manager"). HM Revenue and Customs ("HMRC") confirmed in October 2007 that fund management services to investment trusts are exempt from VAT. The Manager charged VAT on its invoices to the Company for management fees up to and including the third quarter of 2007. The Manager has received repayment for the period from 2002-2007 and has lodged claims with HMRC relating to the period 1990-1996. The Company and the Manager have agreed that the net amount reclaimed by the Manager as a result of these two changes (that is, the overpaid output VAT less the resulting reduction in input VAT recovered) will be passed to the Company.

The Company now believes that it will be entitled to receive £828,000 in respect of the claim for the period 1990-1996, consisting of £414,000 of VAT reclaimed and £414,000 of interest thereon. As there is sufficient certainty surrounding this claim these amounts have now been recognised as an asset of the Company. The VAT reclaim of £414,000 has been allocated to the capital and revenue accounts on the basis that it was originally charged during the period 1990-1996, which is 51% to revenue and 49% to capital. Interest income of £414,000 has been recognised in the revenue account. It is possible that the Company may ultimately receive amounts in excess of those recognised to date.

Statement of Directors' Responsibilities

The directors confirm that this half-yearly financial report has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining seven months of the financial year; and
- material related-party transactions that have taken place in the first six months of the financial year and any material changes in the related-party transactions described in the last annual report.

The directors of Graphite Enterprise Trust PLC are listed in the Graphite Enterprise Trust PLC Annual Report for 31 December 2009, and there were no changes in the period.

By the order of the Board

M. Fane
Chairman
15 July 2010

By order of the Board

Graphite Capital Management LLP

Secretary

15 July 2010

For further information, please contact:

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Note:

The Interim Report is published on the www.graphite-enterprise.com website, which is maintained by the Company's manager, Graphite Capital Management LLP (the "Manager"). The content and integrity of the website maintained by the Manager or any of its subsidiaries is, so far as it relates to the Company, the responsibility of the Manager. Overseas visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the Interim Report may differ from legislation in their jurisdiction.